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SENSITIVE  
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DEPARTMENT FOR PM/DDTC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A  
TAGS: [ETTC](#) [KOMC](#) [RS](#)  
SUBJECT: BLUE LANTERN LEVEL 3: POST-SHIPMENT END-USE CHECK ON  
LICENSE 050124935

REF: STATE 46706

11. (SBU) Summary: Due to a lack of funding, we were not able to travel to Surgut, Russia to conduct a site visit of Surgutneftegas's business operations and on-site security. A company representative, however, flew to Moscow to meet us and provided us with corporate reports. He also described to us Surgutneftegas's security procedures for restricted items. He said his company would retain positive control over the reftel items at all times. The gyroscopes would be used to monitor the level and location of oil in the company's oil wells. Surgutneftegas is a private company that accounts for a significant portion of Russia's oil and gas production. Grytsiv claimed the company exports oil and gas largely to Europe, and cooperates with U.S. companies as well. He also told us Surgutneftegas understood the restrictions on United States Munitions List (USML) items. Although the company and its ownership structure are opaque, based on our conversation with Grytsiv, we have no reason to believe Surgutneftegas would be an unreliable recipient of USML items. End Summary.

12. (SBU) In a May 21 meeting, Head of the Oil-Field and Drilling Equipment Department of Surgutneftegas Aleksandr Grytsiv flew from Surgut to Moscow to meet us and provide us company reports and documents. He told us his company has secure facilities and many procedures for handling sensitive USML items. The security arrangements of the facility include monitoring equipment and the company's own security guard force. According to Grytsiv, employees must sign out the items in order to use them, and all items are locked in safes when not in use. No site visit was conducted to assess Surgutneftegas's business operations and on-site security, however.

13. (SBU) According to Grytsiv, Surgutneftegas would retain positive control over all the reftel sensitive equipment at all times. The items would not be transferred or re-exported to any other users.

14. (SBU) Grytsiv told us the gyroscopes would be used to monitor the amount of oil and its location in Surgutneftegas oil wells.

15. (SBU) Surgutneftegas is a private company that was founded in 11977. Vladimir Bogdanov is the Director General and has been on the board of directors since 1993. Surgutneftegas is the fourth largest oil and gas company in Russia. A letter signed by the Deputy Director General A.V. Pogorelov stated company accounts for 13 percent of all oil and 25 percent of all gas extracted by oil companies (i.e. excluding Gazprom and Novatek) in Russia. Grytsiv told us that he could not recall any other orders of USML defense items in the past, although the company frequently orders equipment. He did, however, recall an instance in which Baker Hughes planned to sell Surgutneftegas remote control drilling equipment, including restricted heat isolation material. According to Grytsiv, the USG did not allow the sale, although he could not recall why.

¶6. (SBU) Grytsiv told us Surgutneftegas exports oil and gas, primarily to Europe. It also owns a chain of gas stations in Russia. Grytsiv said that Surgutneftegas would like to export oil and gas to China. He added that Surgutneftegas also worked with U.S. companies such as National Oilwell Varco and Stewart and Stevenson.

¶7. (SBU) Grytsiv told us Surgutneftegas understood the restrictions on USML items, including the prohibitions against unauthorized re-transfers and re-exports. Surgutneftegas is known for being very closely held company that disseminates very little information publicly. Its ownership structure is opaque and even professional investment analysts are often unable to obtain verifiable information about the company. Our assessment is that Surgutneftegas is primarily a commercial venture, and we do not have reason to believe that Surgutneftegas would be an unreliable recipient of USML items.

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